

23 July 2018

David Norris
General Manager, Financial Compliance
Department of Mines Industry Regulation and Safety
royalty.returns@dmirs.wa.gov.au

Dear Mr Norris

PROPOSED ROYALTY RELATED AMENDMENTS TO MINING REGULATIONS 1981

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia (WA). CME is funded by its member companies who are responsible for most of the State's mineral and energy production and are major employers of the resources sector workforce in the State.

CME welcomes the opportunity to provide a submission to the Department of Mines, Industry Regulation and Safety's (DMIRS) public consultation on the Proposed royalty related amendments to Mining Regulations 1981¹ (Regulation).

Royalties provide a major contribution to earnings for the government with revenue from the state's mineral and petroleum producers totalling \$5.91 billion in 2016-17, an increase of 24 per cent on 2015-16 figures². The 2017-18 budget confirmed royalties paid by the resources sector will continue to account for approximately 18 per cent of the state's own revenue despite a projected a decline in royalty payments largely due to lower iron ore royalty returns.

CME is concerned with the proposed amendment to Regulation 86 to include the individual level of processing for silver. In briefing the Mining Industry Liaison Committee on the proposed amendments, DMIRS stated there would be no adverse financial impacts on producers. DMIRS also stated in the consultation paper, "*The proposed amendments to Regulation 86 will not alter the existing royalty rates*".

The current royalty rate applicable to silver regardless of whether it is in metallic form or in concentrate is 2.5 per cent. CME was disappointed to learn DMIRS has subsequently advised a number of members the royalty rate for silver will be changing from 2.5 per cent to 5 per cent, by inserting "Metallic form" into Regulation 86.

Given the misleading and contrary information that has been released in the consultation paper and subsequent advice from DMIRS on the amendments to Regulation 86, CME strongly recommends the royalty rate for silver, in any form, should remain at 2.5 per cent.

CME considers proposed changes to any of the royalty rates should be done in an open and transparent consultation process with affected stakeholders and separate to the current proposed amendment process.

If you have any further queries regarding the above, please do not hesitate in contacting Caroline Cherry, Manager Economic Competitiveness on (08) 9220 8514 or c.cherry@cmewa.com

Yours sincerely



Paul Everingham
Chief Executive

¹ <http://www.dmp.wa.gov.au/Documents/Investors/ProposedRoyaltyRelatedAmendments-MiningRegulations1981.pdf>

² Department of Mines, Industry Regulation and Safety, *Mineral and Petroleum Statistics Digest 2016-17*, pg 15.